

1. *What is a Flow of Funds?*

The Flow of Funds (FOF) is a part of the whole system of National Accounts (SNA), which presents the financial transactions among the different institutions of the economy, and between these institutions and the rest of the world (ROW). The FOF also shows the various financial instruments in which institutions transact with each other. More importantly, the FOF identifies which institutions are net borrowers and net lenders in the series of transactions.

2. *How are domestic institutions categorized?*

Domestic institutions are grouped into the following categories:

- Financial corporations – consist of depository corporations including the BSP, insurance and pension fund companies and other financial corporations such as investment houses, stock brokers and dealers, lending investors and pawnshops, among others.
- Non-financial corporations – consist of both public and private enterprises engaged in agriculture, manufacturing, construction, utilities and services.
- General government – includes the national government (including Central Bank-Board of Liquidators or CB-BOL), local government and social security agencies.
- Households – include all resident households both as consumers and as entrepreneurs of household-based businesses such as sari-sari stores and farm operations; also included are non-profit institutions serving households, such as the non-governmental organizations.

3. *How is the rest of the world treated in the FOF?*

The ROW is treated as one separate institution. A consolidation of net borrowing of all domestic institutions should result in net lending by ROW. Simply stated, when the ROW is a net lender, the domestic economy is a net borrower and vice versa.

4. *How are economic transactions presented in the FOF?*

There are two main sections in the FOF:

- Capital account records saving and capital transfer as sources, and capital accumulation – e.g. expenditures on land, structures and machineries - as use of funds. A surplus ensues if sources are greater than uses. Otherwise, a deficit is recorded. An institution in surplus becomes a lender while that in deficit becomes a borrower.
- The financial account shows the type of financial instruments in which lending and borrowing are carried out among transactors in the economy. The net lending from the capital account should equal net financing from the financial account.

5. *What are these financial instruments in which lending/borrowings are carried out?*

Lending and borrowing in the financial account are undertaken using the following instruments:

- Monetary Gold and Special Drawing Rights (SDR)
- Currency and Deposits
- Securities other than shares
- Derivatives
- Loans
- Shares and other equity
- Insurance technical reserves refer to that part of premium payments set aside and invested by insurance and pension fund companies to cover future claims.
- Accounts receivable/payable broken down into trade credits and advances, and other accounts receivable/payable.

6. *What are the uses of the FOF?*

- The FOF serves as a basis for the analysis of the link between saving, capital accumulation and financial flows for the whole economy and for each of the institutional sector.
- As an interrelated and internally consistent framework, it is useful for identifying and reconciling deficiencies and inconsistencies in data inputs.
- The FOF serves as an input to financial programming exercises.

7. *What are its data sources?*

The compilation of FOF covers a broad range of data inputs which are as follows:

- Macro-aggregates from the Philippine System of National Accounts and the Philippine Balance of Payments
- Annual Reports of the National Government, Local Government Units and Government Owned and Controlled Corporations prepared by the Commission on Audit, the Annual Reports of the Government Service Insurance System, the Social Security System, the Insurance Commission and the financial report of the CB-BOL.
- Detailed Income and Expense Statement (IES) and Balance Sheet (BS) of the BSP, consolidated IES and BS of commercial banks, thrift banks, rural banks and non-banks

with quasi-banking functions and offshore banking units sourced from the BSP, and the IES and BS of private non-financial corporations and other financial corporations from the Securities and Exchange Commission (SEC).

- Financial Statements of the National Home Mortgage Finance Corporation (NHMFC) and Home Development Mutual Fund (HDMF)
- Other data/indicators such as the results of the Family Income and Expenditure Surveys, and outstanding securities by type of holder prepared by the Bureau of the Treasury.

8. *What are the available series on the FOF?*

Available series on the FOF are:

- 1980 - 1999 based on the old framework (hard copy available upon request)
- 2000 - 2009 based on revised international guidelines

Data series are available in the:

- Statistical Bulletin, for data 1994 downwards;
- BSP Review dated 2 July 2002, for 1996 -1999; and
- BSP website, www.bsp.gov.ph, under key statistical indicators